Testimony of Jonathan Phillips, Cherokee Investment Partners
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Mr. Chairman, members of the Committee, my name is Jonathan Philips and I represent Cherokee Investment Partners based in Raleigh, North Carolina. I feel privileged and humbled to be here and want to thank you for the opportunity to testify today.

I'd like to cover three basic topics in my testimony.

First, I want to provide you with an introduction to Cherokee Investment Partners – who we are and what we do.

Second, I want to share with you some of the lessons that we have learned regarding brownfield remediation and redevelopment in communities all across this country. I will use the term "brownfield" in my testimony to refer to the definition provided in Section 101(39)(a), without exclusion.

Finally, I want to comment on two critical pieces of brownfield tax legislation introduced during the 108th Congress – H.R. 4480, sponsored by the Chairman of this Subcommittee and H.R.3527, sponsored by Congresswoman Nancy Johnson and co-sponsored by Chairman Turner.

Before beginning, I would insert one note on what I have intentionally *not* discussed in substance today. The problem of brownfields across the nation has been increasingly studied and documented by researchers and academicians. The benefits of brownfield revitalization on the local, state and federal levels have also begun to be understood and gain currency in the public realm. In fact, several of my distinguished colleagues from government, industry and NGOs have or will serve as witnesses before this Subcommittee and will undoubtedly offer detailed testimony on these very topics. Fewer people, Mr. Chairman, will likely address the Subcommittee on how private entities analyze and tackle brownfield projects. Henceforth, I have focused my comments on a private sector perspective and explanation of brownfield finance and redevelopment.

I. Cherokee Investment Partners - Overview

Cherokee Investment Partners, LLC is the world's largest investor in brownfield redevelopment. Founded by CEO Tom Darden and John Mazzarino, Cherokee began acquiring contaminated real estate in 1990. We currently manage over $1 billion of assets and have acquired over 330 sites across North America and Europe since inception. We have purchased a wide range of properties including brick companies, agricultural and pharmaceutical manufacturing facilities, lead-based paint facilities, steel manufacturing and processing plants, textile mills, state and federal Superfund sites, landfills and neighborhoods with widespread blight; and remediated an even wider range of environmental impairments. In doing this, sellers and communities alike have seen the first-hand benefits of environmental restoration and community revitalization. We are able to assume responsibility and ownership

for such complex and potentially risky projects for a number of reasons—some of which I will touch on today. One of the more important factors relates to the sheer quantity and diversity of sites we acquire. Buying large quantities of contaminated sites allows us to pool risk. This pooling of risk, or "portfolio effect," helps us soften the economic impact to our investors when a project does not perform according to our expectations, as inevitably happens in the brownfield investment universe. This portfolio effect has helped Cherokee successfully raise capital to meet its mission. We will spend hundreds of millions to clean up pollution at the sites in our current portfolio, unlocking a potential of over $4 billion of further redevelopment. Our sellers have included Fortune 500 companies, financial institutions, private equity funds, governments and private owners.

- None of our remediated, redeveloped sites has ever generated any legal or regulatory conflict.
- None of our indemnified owners or users has ever incurred any future environmental liability.
- None of our indemnified sellers has ever paid fines, penalties, or costs stemming from environmental issues.
- No seller has ever paid for a remediation cost over-run for known or unknown contamination -- Cherokee has always fully paid any over-run costs.

Cherokee deploys more capital toward environmental cleanup than all but a few entities, public or private, in the country. Further, we are not aware of any private organization in the world that *voluntarily* cleans up more pollution than Cherokee.

The following PowerPoint presentation [Exhibit 1] offers an overview of Cherokee Investment Partners, as well as descriptions of specific transactions that are mentioned in my testimony. Our projects range in size from cleanup and redevelopment of a portfolio of 68 gas station pads with extensive petroleum hydrocarbon contamination to remediation and redevelopment of the Meadowlands landfill in New Jersey, a 1,300-acre site with eight former landfills and with remediation expenses of $230 million and a total project cost of $1 billion.

Cherokee raised its third institutional fund (Fund III), a dedicated brownfield fund comprising $620 million of equity, in 2003; its investors consist primarily of public pension plans and other, traditionally conservative, institutional investors. Fund III equity commitments, with leverage, provide approximately $1 billion of new capital for deployment over a three to five year period throughout North America and Western Europe.

Cherokee is headquartered in Raleigh, North Carolina with additional offices in New Jersey, Denver, Austin, Canada and London.

A. Cherokee's Philosophy

Cherokee Investment Partners' philosophy is to buy environmentally impaired property, fully aware that large sums, the magnitudes of which are often unpredictable, will be needed to overcome the challenges associated with impairment and liability. In all cases, and contrary to the positions taken by some owners of brownfields, we firmly believe that there is no better way to eliminate a liability than to aggressively remediate the underlying pollution. We've found that communities and regulators certainly respond well to this straightforward and aggressive approach. The faster that pollution is cleaned up, the faster we can return stigmatized, underutilized properties to the stream of commerce as transformed and revitalized community assets.

Cherokee accepts projects that traditional investors often reject and actively looks to transform communities where urban blight and environmental contamination impede economic growth and community redevelopment.

Cherokee's philosophy includes promoting sustainable redevelopment of the brownfield properties we remediate and providing net positive social, economic and environmental improvements. We have achieved a strong reputation for integrity and sound management advice coupled with investment, risk management and environmental expertise. Our approach concentrates on the factors contributing to the financial success of an asset, along with the risks that threaten it.

We are able to pursue these goals because our partners have entrusted us with capital to invest. We respect our capital providers and take our fiduciary responsibilities seriously. Our goal is to make our investors, partners, customers and employees proud to associate with Cherokee.

For our work in helping to revitalize this nation's brownfield sites, Cherokee has received numerous awards and honors in recent years including the 2001 Phoenix Award and the 2004 North Carolina Sustainable Business Award for its efforts at improving the environment and its leadership in sustainable development. Environmental groups, smart growth advocates and mayors across the country have endorsed Cherokee's practices and its role in revitalizing America's brownfields.

B. Public-Private Partnership

Cherokee rarely undertakes a project alone. I believe that one of the key factors of Cherokee's success has been our willingness to enter into public-private partnerships to achieve larger goals.

Brownfield projects are difficult at best. Without an active community desire to transform a brownfield area, the project is less likely to succeed. Knowing this, Cherokee focuses its resources in the places where our participation is actively welcomed.

Because of the high cost of remediation and low values often associated with impaired property, municipalities often struggle to bridge the gap between capital resources and the

cost of brownfield redevelopment. Cherokee aims to work with municipalities, pairing our financial resources and remediation expertise with public initiatives to clean up and reposition properties for redevelopment. This strategy allows enhanced community planning and encourages creative land-uses looking far into the future.

Many of our public-private partnerships involve properties in urban infill locations – their redevelopment catalyzes economic growth without further greenfield loss. Using a public process that includes town meetings and community-wide charrettes, Cherokee has formed community partnerships that have added economic vibrancy to previously neglected neighborhoods and brought large-scale revitalization and restoration to languished land. We are proud that many of the old factories and landfills we clean up are becoming sustainable, mixed-use developments with mass transit links and other public amenities.

Recognizing the merit of these collaborative efforts, in 2002 the US Conference of Mayors presented Cherokee Investment Partners with their Outstanding Achievement Award for Excellence in Public/Private Partnerships. This award was followed in 2004 by the announcement of an unprecedented joint initiative between the U.S. Conference of Mayors and Cherokee to help mayors across the United States identify contaminated properties with the greatest potential for redevelopment and match them with the capital, brownfield expertise and experience of Cherokee.

II. Financing Brownfield Redevelopment

Significant barriers prevent the remediation and redevelopment of the vast majority of this nation's brownfields. While Congress has made strides to address this problem with the passage of the Section 198 tax provisions in 1997, the passage of the 2002 brownfield law, and last year's passage of the new tax provisions waiving the unrelated business income tax penalties on qualified brownfield transaction, there is still much that can and should be done.

In this section of my testimony, I will briefly address the underlying causes of the brownfield problem and the market dynamics that currently inhibit remediation and redevelopment.

I will then focus on two areas where I believe that Congress (as well as states and local governments) can have the biggest impact in encouraging brownfield revitalization: 1) creation of new financial incentives, and 2) other actions to encourage deployment of additional capital.

Finally, in this section of the testimony, I will provide a list of criteria that brownfield investors use to determine whether to remediate and redevelop a particular site. This list is critical since, I believe, it provides some insight to the direction the markets will head if Congress, the states, and/or local governments provide additional financial incentives and/or other actions to encourage deployment of additional investment capital in this field.

To further illustrate the way in which brownfield investors make on-the-ground decisions about particular sites, I will present a case study of the ICI/O'Brien Industrial Park, a portfolio of contaminated sites that Cherokee selected for investment in 1999.

A. Introduction

Historically, owners of contaminated real estate often focused resources on avoiding liability rather than site cleanup. The consequence was stagnating properties, economic malaise, eyesores, and conditions hazardous to health in otherwise growing urban neighborhoods. Secondary effects have been documented to include increased crime, lower tax revenues, job loss and surrounding blight.

Among the most historically popular tools used by sellers to avoid liabilities included variations on what has been termed "mothballing." Corporate mothballing typically involved a legal team talented in producing endless delays, a chain-link fence, and techniques to continue token and inefficient "operations" with the objective of avoiding requisite environmental assessments and attendant regulatory scrutiny and enforcement actions. Owners have perceived that it is economically and "reputationally" preferable to avoid environmental testing and investigation, so as to delay the greater liability of having been legally "put on notice." This pattern of owner response to environmentally contaminated properties ensured that the nation's brownfield inventory ballooned.

As the true costs of these delays and mothballed sites have become apparent, the public and private sectors have worked together to create regulatory and financial mechanisms to revitalize brownfield sites. These stakeholders have effectuated important changes in court rulings, environmental laws, regulations and enforcement action, urbanization, insurance and availability of financing vehicles to address the cleanup and reuse of these brownfield properties. Both the public and private sectors maintain a strong interest in the cleanup of brownfields and their restoration to productive use.

Just as our nation required both sectors, working together, to produce the important brownfield reforms of the past several years, a similar partnership will continue to be important to ensure an acceleration of the rate of brownfield cleanups across the county.

As the nation's largest and most experienced brownfield investor, we believe that without public-private partnerships, there can be little hope of reclaiming most of the sites that languish today.

Only those sites that are both trivially contaminated and situated in the most attractive real estate locations are sure bets to receive the attention of developers who may be willing to tackle projects with marginally increased risks and substantial rewards. Unfortunately, we believe the vast majority of US brownfield sites are both more complicated and less economically attractive and are unlikely to be addressed under current market forces.

I believe that the environmentally-contaminated sites most plaguing to this country are more often than not either those which would produce net losses for the investors, or those with a risk-reward ratio that is significantly unattractive relative to commonplace, sprawl-producing greenfield development.

In either case, the problem stems from rational economic decisions based upon local market forces of supply and demand. If we are to concede that a wholesale, publicly funded cleanup of every contaminated site in the nation is not resource-feasible or easily implemented, we must innovate better ways to combine public and private resources to effectuate more cleanups more quickly.

The problem of brownfields can be greatly alleviated by creating a rational economic framework in which the private sector may operate, respond and be guided by well-considered, typically local, public decisions for prioritization of private-sector driven site cleanup. In an unsubsidized setting, market economics drive the cleanup decisions of these challenging sites. With public guidance, private forces can operate efficiently to produce revitalization in places where communities most need it, but where without such public incentive, revitalization may not occur.

Municipal officials and urban residents increasingly fight suburban sprawl by encouraging development of urban sites. Communities are supporting redevelopment of in-fill sites they previously avoided due to uncertain or complicated environmental issues. Although challenges remain, federal, state and local governments and private groups are collaborating to explore creative ways to remediate environmentally impaired sites. Cherokee Investment Partners is proud to have participated actively in many such efforts.

Companies whose core business is not real estate asset management and remediation or brownfield redevelopment can maximize shareholder value and redeploy resources elsewhere by selling underutilized and environmentally impaired properties to brownfield developers with proven and successful track records. By carving out underutilized and environmentally impaired properties, companies improve their liquidity and reduce their liabilities, thereby strengthening both the left- and right-hand sides of their balance sheets.

When companies want to maintain the use of such property pending cleanup, sophisticated buyers can structure sale-leaseback agreements. Sale-leasebacks are a relatively new and preemptive tool useful in the fight against what might otherwise become tomorrow's abandoned brownfields. By allowing non-intrusive cleanup to occur during a pre-determined lease-term, we are able to ensure that if the ongoing operation on the site were to depart, the site would have already been environmentally assessed, substantially remediated and in the hands of a community-friendly entity that is interested in seeing property revitalized for a future highest and best use. Best of all, the communities in which these "future brownfield sites" reside are benefited by locking in for the host communities the jobs and tax rates associated with the ongoing concern, in addition to the obvious and instant community and environmental benefits associated with the cleanup pf a polluted site.

B. Background - The Brownfield Market

Even more so than the broader real estate market, the brownfield market is disaggregated and local in nature. Lack of reliable information makes it difficult to estimate accurately participants and market size. According to the Environmental Protection Agency ("EPA") and the Office of Housing and Urban Development ("HUD"), approximately 500,000 industrial and commercial brownfields exist in the United States. The EPA's definition of brownfields includes only properties that have both environmental contamination and certain socioeconomic characteristics. Based on George Washington University research using EPA and HUD databases, it is likely that the value of this impaired real estate exceeds $600 billion in its current condition.

Corporations own most brownfield sites. Many companies are consolidating operations and closing facilities, while mergers and acquisitions produce additional surplus sites. Government agencies, individuals and financial institutions that unknowingly purchased or foreclosed on brownfield sites also own these properties. Still, there are those sites that were acquired by entities aware of the existing environmental conditions and inspired by the prospect of an attractive return on investment, only to discover that the properties challenges were too difficult to overcome, given the entity's limited track record in dealing with such properties.

Despite the significant increase in the number of brownfield redevelopments since the early 1990s, the brownfield market continues to experience excess supply (National Brownfield Association – Market Report, 2002). The imbalance between supply and demand results from several factors, including brownfield redevelopment economics, environmental liability potential, capital source limitations available for redevelopment (especially for large redevelopment), capital cost, transaction complexity and market inefficiencies in matching buyers and sellers.

C. Brownfield Redevelopment Economics

Brownfield redevelopment is a unique real estate development type. The economic drivers are generally similar to those found in typical real estate/greenfield development, but environmental contamination introduces several hurdles to successful economic redevelopment.

On the revenue side, the future sale price (i.e., exit price) of the land is a function of the highest and best use of the "clean" real estate parcel. Highest and best use values the real estate in accordance with the use that, at the time of appraisal, is likely to produce the highest economic return. On the cost side, the expenses associated with brownfields redevelopment include the purchase price, closing costs, remediation and risk management costs, capital expenditure (e.g., infrastructure, building improvements), soft costs (e.g., legal, rezoning, engineering and consulting) and sales costs (e.g., marketing and/or commissions).

Remediation cost (i.e., cleanup cost) is not the only hurdle associated with contaminated real estate; as important for the developer is the potentially larger environmental liability and the difficulty of finding debt project financing. Brownfield developers have difficulty using

financial leverage (e.g. debt) because brownfield appraised value is generally low, and banks require lower loan-to-value ratios to protect themselves from the risk of having to own and manage stigmatized properties. As a result, the equity requirement for brownfield redevelopment is high. High equity requirements combined with increased expenses due to remediation costs often lead to low return on investment. In 1998, the Urban Land Institute reported that average rate of return for brownfields was under three percent, well below the rate of return for greenfields projects, which average in a range between 10 to 30 percent. Higher site development and financing costs, along with often significantly longer periods of time during which capital is invested (creating a riskier illiquid investment), contribute to the lower brownfields return rate. Low rates of return on investment combined with high project risk and complexity requiring niche areas of expertise constitute a significant impediment to private sector brownfield development financing.

Another hurdle specific to brownfield transactions is that other dilapidated sites frequently surround individual brownfield sites. Successful redevelopment of an individual brownfield site is often contingent upon developing a master plan for an entire area, which may require the development team to buy adjacent sites from multiple owners. The complexity of dealing with multiple sellers adds to the risk inherent in brownfield development projects. In some cases, buying additional surrounding parcels is the only way for the project to offer the potential to generate, on a blended basis, enough gain to offset the risks and costs associated with the core contaminated parcel(s). However, as more property is acquired on the perimeter of a contaminated site, the investor assumes greater assembly and market risks. For example, with a smaller, core contaminated parcel, a revitalization effort hinging on future market acceptance and absorption is less risky than investing in a geographic so large that the future transformed region would need to be significantly deeper to accommodate the newly created supply in the marketplace.

In spite of these challenges, the successes of Cherokee and others serves to strongly evidence that brownfield sites still have potential if broad community support exists to restore them, and creative development teams can structure the transactions to maximize the customarily low return. Brownfield investors and developers must think creatively about ways to complete a transaction that appears upside-down (i.e., higher cost than potential sale/exit value), using tools such as private equity funding, environmental insurance, public-private partnerships, Tax Increment Financing ("TIF") and other public financing components. Public financing helps lower the capital cost and thereby increase returns. Simply put, public incentive for private activity is necessary to remediate and revitalize the thousands of brownfield sites nationwide. Together, a private company can shoulder the investment and liability of clean up, while the host community receives the environmental benefits of a cleaned site and the community and economic benefits of revitalization.

D. Capital Sources and Cost

Background

The last stock market decline contributed to an increase in capital flow to the real estate market asset class in 2002 - an increased rate that has continued to present day. Both individual and institutional investors (e.g., pension funds, endowments and foundations) have increased their portfolio real estate allocation target. The real estate allocation is largely

comprised of class A office, hotel and development opportunities in strong markets. On the other side of the spectrum, "distressed" real estate receives significantly less allocation. Environmentally contaminated real estate is, for all practical purposes, non-existent in the division of the traditional, conservative, institutional real estate allocation.

Foreign institutions, particularly in Germany, have been increasing their investment in the U.S. real estate market (PricewaterhouseCoopers, 2003). As of September 2002, the total global real estate capital market was about $4.63 trillion. Non-institutional and institutional investors represented about $2.39 trillion and $2.24 trillion respectively. Out of the $2.24 trillion from institutional investors, $402.8 billion (18%) was equity and $1,841.4 billion (82%) was debt. The ability to attract such capital for a category of brownfield investments is driven by several factors, including the category's ability to diversify an institution's holdings, the possibility, if successful, to generate returns at least commensurate with what ordinary real estate investments might yield, there is a defined market in which here is no foreseeable shortage of deal flow and, perhaps in certain situations, an investor's particular interest in engaging in what may be deemed as "socially responsible" investing.

Equity

A very small portion of the $402.8 billion of real estate equity capital represents brownfield investment, due in part to the risk and illiquidity inherent in that investment class. When assessing the risk-return relationship for different types of real estate investment (e.g., core real estate, real estate securities, mezzanine investment, opportunistic investment, and brownfield redevelopment) brownfield redevelopment clearly falls within the upper range of the risk-return spectrum. One of the lessons of this data is that, if we wish to foster a more active private sector participation in the cleanup of our nation's polluted land, we have two levers to adjust. Either one can either lower the risk associated with tackling a brownfield project or increase the potential project return. Absent one or both of these factors, developers across America will follow the easy road: remaining content to make sizeable returns converting the next farmstead to suburban sprawl on that proverbial 'edge of town.' However, as my presence before this distinguished body suggests, there are successful and experienced brownfield equity investors with long track records that have developed the necessary risk management skills to navigate this otherwise risky business environment. Buyer track records and reputation are especially important when sellers seek a transfer of environmental risk and liability.

For small transactions, the number of brownfield equity investors is still limited, though it has been growing in recent years as regulatory changes have encouraged more redevelopment. For large transactions, the universe of brownfield equity players is even smaller, though legislation enacted last October served to promote the formation of larger pools of capital dedicated to the investment in brownfields (I will discuss this legislation in Part IV of my testimony). The main incentives for a seller to transact with equity players with large pools of institutional capital are easy to understand: the wherewithal and credibility, the ability to close without financing contingencies and the experience and track record of the equity investors experienced with large and complex transactions. When unforeseen liabilities arise, or costs spiral out of control (as they so commonly do), our experience is that such unbudgeted events have never been less than 200%. The ability to stand behind a project and write a check to cover such unforeseen events is something that can be reassuring to sellers, communities and

investors alike. On the other hand, institutional investors have fairly rigid return expectations, structural requirements and limited investment horizons, which are often hard to satisfy in many transactions.

The cost of investment equity for brownfields is higher than for greenfields due to the additional time, cost and legal risks assumed for brownfield redevelopment. To achieve a targeted internal rate of return (IRR), the longer the time horizon between the date of purchase and the date of sale of the property, the larger the required spread between the purchase and exit price. Historically, depending on the prevailing interest rate environment, prudent brownfield investors underwrite transactions to yield an IRR between 5-10% greater than a typical greenfield investor. By targeting a higher IRR, brownfield investors attempt to compensate for the historically lower rates of return actually realized on brownfield investments.

Debt

Traditional redevelopment projects rely heavily on the use of debt to enhance investor IRRs and sometimes make seemingly economically unviable projects doable by virtue of time compression effect that use of debt affords an equity investor. Brownfield projects do not have this same luxury. The use of debt in the capital structure reduces the "blended" cost of capital and increases both project risk and the return on equity. Typically, development teams use debt when the project can generate a certain amount of cash flow (e.g., from existing building lease) to service interest payments. Debt cost varies from project to project and is highly dependent on the overall capital market at the time when debt financing is needed.

Conventional lenders are generally unwilling to provide debt during the times when it is needed most: i.e., before cleanup, rezoning and leasing or sale activity has been achieved. On occasion, certain lending groups have warmed to conditional participation in brownfield projects if there is sufficient equity in the project (the amount of equity depends on the overall risk profile of the project), the critical path to environmental closure is known and, perhaps, accomplished or nearly accomplished, and the equity partners/developers have the reputation, track record and risk management capabilities necessary to limit the downside risk. Without these conditions, lenders have been reluctant to lend funds on contaminated sites due to the potential liability, the relatively limited income stream in the short and medium term and the lack of marketability. In the construction lending context, where principal repayment takes months or a few years, lenders chiefly worry about the borrower's collateral relative to contingencies in the construction budget for unknown site costs and whether the project has or can readily obtain takeout financing. Permanent lenders primarily worry about the borrower's defaulting, which may require them to assume ownership of a stigmatized asset with questionable value.

Government Funding & Incentives

As I will discuss more extensively in Parts III and IV of this testimony, government incentives can provide the necessary additional funding to encourage additional brownfield redevelopment. Local governments usually shy away from direct grants; instead, tending to favor property tax incentives and Tax Increment Financing (TIF), especially for infrastructure costs like roads and utilities. Under TIF, the increased tax revenues generated by the redevelopment are used to pay off part of the redevelopment expenses. Federal and State

Brownfield funds are sometimes available. More recently, some states are considering, or have passed, laws that authorize the establishment of a capital pool, drawn from future tax revenues, to serve as reimbursement of certain qualified remediation expenditures. Other programs offer low or zero interest debt financing for brownfield redevelopment. Occasionally, it may be worth exploring a special State or Federal appropriation to kick-start a remediation project. If the Federal Government is a responsible party for onsite contamination, then such appropriations are more likely.

It is unquestionably paradigmatic that the largest and, arguably, most important, brownfield projects in our nation require true public-private partnerships, allowing all stakeholders to leverage each another's resources to produce a winning result for all parties. I can think of several projects that would never have generated attention were it not for the willingness of public and private entities to brainstorm together creative ways to accomplish a shared goal.

E. Impact of Proposed/Recent Court Ruling and Legislation

Recent U.S. Supreme Court ruling as well as federal and state legislations have helped private and institutional investors become more comfortable with investing capital to redevelop environmentally impaired properties. In 1998, the U.S. Supreme Court in United States v. Bestfoods (528 U.S. 810; 120 S. Ct. 42) clarified the Superfund liability for corporate parents. This case held a corporate parent responsible under CERCLA when (i) the corporate veil is pierced under traditional corporate law doctrines, or (ii) the corporate parent or shareholder directs the workings of, manages or conducts the affairs of a polluting facility. In 2002, the Small Business Liability Relief and Brownfields Revitalization Act increased funding and tax incentives to promote the cleanup and reuse of brownfield and helped clarify and limit the Superfund liability of owners and purchasers under certain conditions.

Furthermore, existing federal legislation has sought to utilize the nation's tax structure to provide incentives for the privately funded cleanup of brownfields. For example, Section 198 of the IRS Code, initially passed in 1997, and subsequently amended, provides a framework to encourage the cleanup of qualified contaminated sites by allowing an eligible taxpayer to immediately expense, rather than amortize, the costs of remediation. Other contaminated site tax legislative proposals have recently passed or are on the horizon. I will discuss two of these in Section III and IV of my testimony today.

F. Brownfield Investment Key Criteria

Location and real estate market are critically important. Ideal brownfield sites are in growth corridors within tier 1 or 2 urban markets with good access from a main highway, complemented by good visibility and strong demographics. In addition to the environmental impairment, a primary brownfields site has all the attributes of a good real estate development site. Due to prior use, many brownfield sites have industrial zoning, and the potential to rezone them for mixed-use residential/retail often increases their development value. To analyze whether a real estate transaction has potential for a private brownfield investment group, the starting point is a thorough understanding of the site's real estate fundamentals. Two of some of the most important analytical elements are the site's underlying market value (its value without the contamination and stigma) and time required/complexity involved to

achieve a revitalized site (and hence, a financial exit). Typical brownfield site screening criteria are as follows:

Capital Commitment
The "ideal" size of capital commitment by private brownfield investors depends on the size of their available capital pool. Brownfield investors would prefer to commit amounts of capital in each transaction that reduces overall overhead. Well-capitalized brownfield investors often seek transactions that allow them to employ $10 million or more, realizing that smaller projects can often require as much overhead as larger projects. The site size (number of acres or square feet) is irrelevant if the location does not dictate sufficient value. Multiple sites with a common owner sold as a portfolio can provide the desired critical mass of dollar value.

Market
Brownfield developers prefer properties in primary urban markets because they represent potentially higher real estate values and because market demands in those areas are more likely to enable prompt (or less risky) redeployment of the asset after cleanup.

Location
Location, despite the cliché into which it has evolved, is still a dominant factor in analyzing a site. Access to highways and infrastructure, visibility and future-use possibilities all combine to increase the value of sites.

Environmental Cost, Schedule and Path to Closure
By studying existing environmental documents including soil-boring results and groundwater well test results and by conducting other standard types of environmental and land use due diligence with the help of experienced and well-qualified technical and legal consultants, the brownfield investor usually can make a well-educated guess as to the extent of the required environmental clean-up. An added challenge is mapping out a remedial closure path that dovetails with future redevelopment plans for the site. In some cases, a seller does not know (and does not wish to know) whether, and to what extent, contamination is present on its property. Former manufacturing sites, for example, are still contracted for sale without the benefit of accompanying Phase I and Phase II assessment reports.

Case Study – The ICI/O'Brien Industrial Park

Background
In 1999, ICI Glidden Paints, a division of the ICI Group ("ICI"), acquired the O'Brien Corporation ("O'Brien"). As part of the acquisition, ICI decided to divest a portfolio of environmentally impaired real estate assets owned by ICI and O'Brien. The real estate portfolio consisted of six sites ranging in size from 8 to 25 acres. The portfolio of sites was financed wholly with equity from Cherokee, because debt financing was not available due to the presence of site contamination. Cherokee also provided the seller, ICI, with full indemnification supported by a comprehensive environmental risk management program. Cherokee's ability to invest capital within a short timetable (one month of due diligence) and to provide full indemnification were key to the transaction's success.

Site Description and Environmental Conditions
Site 1: The property consisted of two industrial buildings on roughly eight acres owned and occupied by ICI in South San Francisco, California. The first building was a three-story concrete, paint manufacturing building containing 76,000 square feet of net rentable area. The second building was a one-story, concrete tilt-up, warehouse building containing 94,700 square feet of net rentable area. The land north of the ICI warehouse building had lead contamination.

Site 2: This property was comprised of 18.6 acres zoned light industrial within the City of South San Francisco. The Fuller-O'Brien Company had used the site as a paint manufacturing and distribution facility from the early 1900's and had terminated most site operations in the late 1980's. The site was the largest piece of land in the immediate South San Francisco area, enjoyed bay frontage and was ten minutes from the San Francisco airport.

Federal EPA Administrative Order of Consent issued in final form on April 18, 1991 applied to the site. At the time of the transaction, O'Brien operated the site remediation as two units, Operational Unit (OU) 1, which dealt with the soil issues, and OU 2 which addressed groundwater issues. One area on the east side of the property bordering the Bay was contaminated with lead and some SVOCs required additional remediation. O'Brien had not fully defined groundwater contamination. The remediation cost was estimated to be several million dollars.

Site 3: This property in Georgia consisted of a 70,000 square foot building located on 8 acres. O'Brien had used the property in the paint manufacturing process, but had vacated the property in the late 1980's. The building was in average condition with several hundred thousand dollars needed for deferred facility maintenance to prepare it for tenancy. BTEX and lead were the main site environmental concerns. Barium and zinc also existed above permissible regulatory levels. Remediation costs were estimated to be several million dollars.

Site 4 and 5: These properties included an approximately 28,000 square foot building on 43,000 square feet of land and five residential lots located within Anchorage, Alaska. The building was a single-story, concrete block retail/warehouse constructed in 1956. These properties were well-located within the city of Anchorage, Alaska, and the building was in good condition. Minor environmental corrective actions were underway.

Site 6: This 25 acre site was on Highway 288, south of Houston. The site was undeveloped and near Houston Hobby Airport. Contamination was insignificant.

Market Analysis
At the time of the transaction, the South San Francisco market had one of the lowest average vacancy rates and the most expensive average lease rates in the area. With little available developable ground, developers had delivered little space to meet the needs of the expanding local economy. Analysts assumed the area would remain a landlord's market for several years. In Houston, the demand for industrial space was high and industrial vacancy rates were falling. Shortages of such space had stimulated new construction, boding well for this parcel. Most new construction was in Houston's northwest and southwest quadrants. Analysts

expected warehouse space absorption to remain strong and lease rates and sales prices to increase.

Investment Risks
Market Value for Improved Land in South San Francisco: Because value in this investment was in the remediation and disposition of the ICI and O'Brien properties, a decrease in undeveloped land values during the project holding period would adversely impact investment return.

Near-by Waste Transfer Facility: During due diligence, Cherokee discovered that an adjacent, 11-acre, vacant waterfront parcel was designated for an enclosed waste transfer facility. Cherokee had concern that a transfer facility might detrimentally impact the O'Brien site's potential use as an office/R&D site.

Environmental Liability: Investment in ICI and O'Brien's real estate assets included significant environmental liability risk from known and unknown contamination. However, through extensive environmental due diligence, Cherokee gained increasing confidence that the liability was manageable. Cherokee also employed sophisticated risk transfer mechanisms to mitigate potential liability, including insurance policies to address any overage in the estimated total cost of remediation as well as pollution legal liability from unknown contamination discovered during the ensuing five years. On the basis of its financial and environmental due diligence and risk transfer program, Cherokee proceeded with the transaction during the summer of 1999. The parties structured the transaction as a single acquisition with separate purchase agreements among Cherokee, ICI and O'Brian. The sellers received an indemnification backed by a risk management structure.

Epilogue
Cherokee completed all environmental remediation by June 2003. Groundwater monitoring is on going at two sites. All six sites received No-Further Action letters from the California Department of Toxic Substances Control and the Regional Water Control Board. For one site, the environmental remediation cost exceeded the estimated cost, but the risk management program operated as planned and covered the additional expenses. During 2002 and 2003, Cherokee has sold all of the sites. Site 1 and 2 will become biotechnology research and development facilities. Site 3 was sold to a developer with plans for a retail and office complex. Sites 4 and 6 were sold to an end-user for warehouse and distribution, as well as possible retail components.

III. Brownfield Solutions

Given what we know about the causes of the brownfield problem, the market forces that both inhibit and encourage remediation and redevelopment, existing government programs to encourage redevelopment, and criteria that the markets use to select particular sites for investment, how do we solve the overall problem? How do we move beyond our current situation where some sites are being remediated and redeveloped while literally hundreds of thousands of others continue to languish?

A friend once told me that for every complex, difficult problem, there's usually a simple solution – and it's usually wrong.

I think that's true for the brownfield issue generally. If there were one simple solution, we probably would have found it and enacted it long ago.

On the one hand, the problem seems clear-cut: the costs associated with remediating and redeveloping a brownfield site must be outweighed, when adjusted for risk, by the potential economic reward from that transaction.

Viewed on that level, the solution becomes one of reducing costs and risks or increasing potential income.

On the other hand, the problem is much more complex. Some brownfield sites are already economically "above water" – that is to say that without additional incentives, those sites will likely be revitalized at some point in time. Fear of unknowns or other risks may still drive most prospective developers of those sites away, but an objective analysis would suggest that the project is economically viable. Other sites are marginally "under water." That is to say that with some coordinated efforts, focus, creativity and a modest economic push, the sites would likely be redeveloped within a reasonable period of time. And then there are sites in less attractive real estate markets and/or those with more substantial contamination. Those sites may be substantially under water and, without significant help, may never be cleaned up.

Viewed on this level, the solution becomes more multifaceted, requiring a mix of federal, state and local incentives to thoroughly attack the problem. Policymakers need to increasingly understand that the problem of brownfields is nuanced and solutions must be nuanced and targeted, as well. Some would prefer to focus attention on the graphical intersection of the most polluted sites and those with the lowest intrinsic real estate value, as these are the ones that most need the help of the public sector for reclamation to occur. Others would prefer to target sites that fall within the graphical intersection of the sites with both the most economic development potential and those that are most easily, quickly and cheaply revitalized. Perhaps the answer is a combination of those two views. Regardless of one's view, we would be doing our country a disservice by not understanding the market factors driving cleanups and crafting policies and programs that target those sites that are determined to be in most urgent need of redevelopment.

If we, as a country, really want to attack the brownfield issue on a nationwide basis, it is clear that we must create policies that will truly move the meter well beyond assessment assistance and expensing provisions—though such programs have been important and will continue to help move sites back into productive use. But, by now, it should be clear to everyone involved that these programs are simply insufficient to drive most of the 500,000 to 1 million brownfield sites into revitalization.

The United States Environmental Protection Agency, in an analysis conducted with George Washington University, concluded that the remediation "costs for all of the brownfields located within the United States have been estimated to exceed $650 billion," and that,

consequently, "*it is imperative that private capital be attracted to the redevelopment of brownfields*."

I believe that it is on this front that the federal government can have the biggest impact.

The challenge to the federal government should not be to create a new program that helps better characterize brownfield sites or that tries to create a larger role for federal agencies.

The federal government's challenge should be to look for bold, innovative ways to reduce barriers and create incentives to attract significant volumes of private capital to help remediate and redevelop our nation's brownfields.

In this testimony, I would like to comment on two critical pieces of brownfield tax legislation introduced in the U.S. House of Representatives during the 108th Congress – H.R. 4480, sponsored by the Chairman of this Subcommittee and H.R. 3527, sponsored by Congresswoman Nancy Johnson and co-sponsored by Chairman Turner.

H.R. 4480 creates a transferable tax credit that can be used to offset remediation expenditures and utility construction costs associated with revitalization of brownfield sites. Cherokee Investment Partners strongly supports this type of approach and believes that it would go a long way toward attracting new capital into the brownfield markets.

H.R. 3527 was enacted into law last year as section 702 of H.R. 4520, the American Jobs Creation Act (P.L. 108-357). This new provision is designed to attract significant volumes of tax-exempt capital into the brownfield markets by waiving unrelated business income taxes for qualified brownfield remediation projects.

Cherokee Investment Partners believes that these two legislative efforts have the potential to dramatically increase the rate at which brownfields are remediated and revitalized all across America.

A. H.R. 4480 (Chairman Turner)

H.R. 4480 seeks to create a transferable tax credit for up to 50 percent of remediation expenditures and utility reconstruction costs at qualified brownfield sites. Critically, this tax credit would be available prior to the actual expenditure of the remediation costs, thus allowing a pioneering developer to attract more capital with the equity created by the credit.

This program, which would be administered by state agencies, would dramatically improve the economics of brownfield transactions and could attract significant volumes of new capital into remediation and redevelopment of brownfield sites.

The existence of such a credit would allow companies like ours to consider additional investments in property where the remediation costs sufficiently outweigh the potential economic benefits to be derived from the final revitalized site. A significant transferable tax credit could unleash substantial private sector capital for brownfields remediation, attract

environmental practitioners and developers to the field, and generate efficiencies within the brownfield submarket that would be beneficial to communities and industry practitioners.

Finally, a tax credit program could prove a tremendous benefit to the Treasury and to thousands of communities across the country. Brownfields revitalization generates jobs and new business development, stimulates additional community investment, and provides an alternative to sprawling development, which has proven to be so costly for so many communities. In addition to the significant savings in transportation, housing and infrastructure costs from smart growth and infill development resulting from brownfield remediation, cities and states will benefit from substantial job creation and added tax revenues.

For example, we estimate that our redevelopment of a 49.8 acre site in downtown Denver, Colorado into a mixed-use property with direct access to Denver's light rail system will generate more than 4,000 jobs and an annual tax benefit of more than $1 billion. Nationally, the US Conference of Mayors has estimated that brownfields redevelopment in 150 cities will yield over 575,000 jobs and between $790 million and $1.9 billion in additional tax revenues while preserving approximately 225 acres of undeveloped greenfields. A transferable brownfield tax credit will serve to further unlock the large quantity of environmentally impaired sites around the nation.

Case Study – Millworks[1]
An Analysis of Potential Impact of Proposed Brownfield Credit Legislation

Overview
Most developers require sufficiently high returns for construction projects and even higher returns for development of clean, raw land. Brownfield sites are significantly more complex and risky, due to uncertainty regarding liability, final clean-up costs and the shortage of debt and equity financing. Consequently, investment in brownfield development by the private sector must create returns in excess of those of clean land development. Congressman Turner's legislation provides a tax credit large and flexible enough to promote investment in and development of brownfield sites, particularly those located in blighted areas, by expediting the development process and providing access to additional financing.

About the Site
Millworks is the proposed redevelopment of Milacron's 70-acre tooling factory located in Cincinnati, OH. Milacron operated the site from 1911 until 1999 when Unova purchased the factory and phased-out operations. The brownfield site contains Milacron's former power plant for the factory, which likely contains harmful chemical compounds, and other environmental contamination. Situated in a historically industrial complex and most recently employing 1,000 people, the Millworks site has been largely inactive for over a year, thus contributing to local unemployment and blight. In 2003, Trademark Property Co. and Vision Land Development LLC, who own an option to purchase the land from Unova, proposed a

[1] Source: The Cincinnati Enquirer 5/7/04, Cincinnati Business Courier 5/10/04, The Cincinnati Post 1/10/04, www.cincinnatimillworks.com, http://www.detnews.com/2002/business/0210/02/business-602616.htm, internal analysis.

two-phased $225 million redevelopment. However, as of May 7, 2004 they had not yet exercised their option due to the continued requisite environmental cleanup of the site. In addition, despite financial backing from Transwestern Investment Co. and Aslan Realty Partners II, the developers (if the land purchase option is exercised and the first phase developed by late 2005) will require local subsidies of up to $32 million. Moreover, no leases with potential tenants have been signed.

Investor Perspective

In 2003, Cherokee explored an investment in the redevelopment of the Millworks site, but declined to invest in the site's revitalization due to the uncertainties, liability, and costs associated with environmental remediation and redevelopment. Specifically, initial pro forma estimates yielded an internal rate of return in the single digits making an investment in the redevelopment project economically unattractive given its risks (see Appendix). However, an estimate of the impact of the proposed Brownfield Credit on the financial returns shows an internal rate of return in the teens, which depending upon interest rates, is within range of widely acceptable returns for investors and developers for this type of asset. Consequently, this example suggests that had a tax credit, such as the one proposed by Representative Turner, been available in 1999, the redevelopment of a large, contaminated, and unproductive site could have attracted more private investment sooner.

Millworks - Summary of Financial Model

Analysis of Impact of Proposed Tax Credit
($ in millions)

	Without Credit	With Credit
Land Acquisition Cost	$34.0	$34.0
Qualifying Expenses		
Abatement of hazardous substances	na	7.4
Demolition related to abatement	na	6.9
Removal/disposal of property related to abatement	na	-
Reconstruction of utilities related to abatement	na	-
Total qualifying expenses	$0.0	$14.3
Nonqualifying Expenses		
Site assessment	0.8	0.8
Asbestos abatement	1.8	1.8
Insurance and due diligence	1.3	1.3
Non qualifying cost of abatement	14.3	0.0
Other nonqualifying expenses	4.6	4.6
Total nonqualifying expense	$22.8	$8.5
Total Costs	$56.8	$56.8
Tax Credit Under Proposed Legislation (50% on qualifying expenses)	$0.0	$7.2
Project IRR	5.7%	19.6%
	Infeasible	Feasible

[1] included under costs of abatement and demolition

As illustrated by this case study, the tax credits contained in Chairman Turner's legislation would have a dramatic impact in helping to revitalize brownfield sites all across America. Coupled with existing tax provisions such as Section 198 and the newly enacted unrelated business income tax waivers, Representative Turner's legislation will help transform the tax code into a powerful and dynamic driver that will use the strength of private markets to solve one of America's most critical environmental and economic challenges.

B. H.R. 3527 (Johnson - CT)

Overview
On October 22, 2004, the President signed into law H.R. 4520, the American Jobs Creation Act (P.L. 108-357). Section 702 of this law, effective January 1, 2005, amends the federal tax code to encourage investment in contaminated lands. This section, "The Brownfield Revitalization Act of 2005" allows tax-exempt entities to invest their capital in the remediation and redevelopment of certain contaminated lands without the risk of incurring unrelated business income tax penalties on the gains realized on those investments.

Background
In recent years, it has become apparent that certain provisions in the federal tax code were having the unintended consequence of discouraging significant private investment in the remediation and redevelopment of our nation's polluted sites. The Unrelated Business Income Tax ("UBIT") provisions of the tax code have reduced the economic attractiveness of such investments for managers of what has been estimated at over 60% of the institutional capital in this country: tax-exempt investors such as pension funds, endowments and foundations. Worse, this "chilled" investment interest came at a time when the cleanup and redevelopment industry's track-record of managing environmental risk had finally shown itself potentially worthy to be entrusted with the capital of the largest institutional investors in the nation. Tax-exempt investors could invest their capital in the stock market and certain real estate transactions that do not clean the environment without fear of incurring a UBIT penalty. Ironically, however, these same investors would be subject to UBIT if they were to invest in the cleanup and redevelopment of contaminated property.

Because it has been estimated that UBIT-sensitive entities hold over $6-trillion dollars in financial assets and routinely deploy more equity capital in real estate development projects than any other category of investor, the unintended consequence of UBIT had been to drive our nation's biggest and most active real estate investors away from projects focused on the remediation and redevelopment of polluted properties.

The Solution to the UBIT Problem
In 2002, Senators Grassley and Baucus, Chair and Ranking Member of the U.S. Senate Finance Committee, entered a colloquy in the Congressional Record expressing their concern that UBIT was blocking the investment of private capital in revitalization of America's polluted sites. Senators Grassley and Baucus expressed their interest in exploring narrowly crafted legislation to waive UBIT on investments in the cleanup and revitalization of qualified contaminated sites.

Late in 2003, two identical, bipartisan bills, H.R. 3527 (lead sponsors: Johnson (CT) – Becerra) and S.1936 (lead sponsors: Baucus -Inhofe) were introduced in the House and Senate to address this issue.

These bills allowed eligible tax-exempt entities to invest in the cleanup and redevelopment of qualified contaminated properties without the fear of incurring unrelated business income tax at the time the property is sold by the entity. The bills applied only to: investments in highly contaminated property (at least $550,000 must be spent on remediation); and only to investments that result in the cleanup of the contaminated property (the taxpayer must obtain a certification from EPA or State Environmental agency that the property is clean).

This cost-efficient approach to encouraging investment in contaminated properties was endorsed by, among others, the U.S. Chamber of Commerce, the National Taxpayers Union, the U.S. Conference of Mayors, and Environmental Defense.

On July 15, 2004, Senators Lautenberg and Dole offered the text of the Baucus-Inhofe bill as a floor amendment to S.1637, the Senate version of the JOBS Act. The amendment was included as part of the managers' amendment to the JOBS Act and ultimately included in the House-Senate Conference report on the JOBS Act filed on October 7, 2004.

Signed into law on October 22, 2004, the Brownfield Revitalization Act of 2005 has the potential to dramatically increase the speed at which our country's contaminated properties are remediated and brought back into productive use, thereby creating jobs, increase tax revenues, and protecting human health and the environment.

The Brownfield Revitalization Act of 2005 will allow eligible tax-exempt entities to invest in the cleanup and redevelopment of qualified contaminated properties without incurring unrelated business income tax at the time the property is sold by the entity.

Legislative Summary
The legislation, which was drafted with heavy involvement and oversight by the Joint House and Senate Committee on Taxation, accomplishes this goal by concentrating on three basic tasks:

1) Focus investment on moderately and heavily polluted properties,
2) Require taxpayers to work with affected states and the public to ensure adequate cleanup, and
3) Limit application to prevent abuse of the program.

The legislation is designed to require the taxpayer to work closely with affected states and the public to ensure that sites are appropriately remediated.

1) Focus on moderately and heavily polluted properties.

The goal of the Brownfield Revitalization Act of 2005 is to encourage the deployment of private capital to assist with remediation of sites containing nontrivial amounts of contamination, as measured by cleanup cost.

Section 198 of the tax code contains a structure under which designated state environmental agencies certify contaminated property that is eligible for special rules concerning deductions of remediation costs. The Brownfield Revitalization Act of 2005 uses this existing structure to identify and certify contaminated sites that are eligible for inclusion within this bill. Prior to requesting certification from a state agency, the taxpayer is required to provide the agency with site characterizations, assessments and other documentation illustrating the scope and character of the pollution problem at the target site.

The legislation maintains its focus on moderately and heavily contaminated properties by requiring taxpayers to expend on remediation of each site the greater of $550,000 or 12% of the fair market value of the site, assessed as though the site were not contaminated. These remediation thresholds have intentionally been set well above the average remediation cost estimated by the Environmental Protection Agency for brownfield sites nationwide. By establishing these admittedly high remediation thresholds, the legislation excludes incidentally or trivially contaminated property and focuses new capital investment on those sites most in need of additional assistance.

2) Require taxpayers to work with affected states and the public to ensure adequate cleanup.

In addition to requiring high-levels of remediation expenditures on each site, the legislation contains numerous other safeguards designed to ensure that remediation of each site is performed to state specifications and with full public involvement.

Like the front-end certification that is required to classify properties as truly contaminated, the legislation requires the taxpayer to obtain a tail-end certification from the state agency indicating that this contamination has been adequately remediated. Prior to applying for this certification, the taxpayer must provide the state agency with sufficient information/documentation to allow the state agency to make this determination. In particular, the taxpayer must certify and provide documentation that:

a. there are no longer hazardous substances, pollutants or contaminants on the property that are complicating the redevelopment or reuse of the site,
b. environmental remediation is complete or substantially complete in conformance with all applicable federal, state and local environmental laws and regulations,
c. the property is suitable for more economically productive or environmentally beneficial uses than at the time of acquisition and,
d. if additional activities are required to complete remediation, sufficient financial assurances and institutional controls are in place to complete the remediation in as short a time as possible,

Further, the taxpayer must provide public notice of its remediation plans and activities and must provide the public with an opportunity for public comment on those plans and activities.

The provisions in this legislation are designed to create substantive thresholds that the tax-exempt entity must meet in order to qualify for the exemption from UBIT. This legislation does not alter the existing complex web of federal, state or local environmental laws, regulations or standards.

3) Limit application to prevent abuse of the program.

The legislation has been drafted to contain numerous safeguards to prevent abuse of this program. First, the taxpayer cannot be the party that has caused the pollution and cannot be otherwise related to the polluter. Second, all transactions (purchase of the property, sale of the property, expenditure of remediation funds, etc.) must be arms-length transactions with parties unrelated to the taxpayer. Third, the taxpayer is not allowed to use federal funds (e.g. grants, loans, etc.) to count toward the required remediation thresholds. Finally, the legislation contains special provisions addressing the use of these provisions by partnerships and other pass-through entities.

Conclusion

The US Chamber of Commerce estimates that at the current rate of remediation, it will take 10,000 years to clean up our nation's brownfields. Clearly we can, and must, do better.

I sit before you today as testament to the fact that with will, perseverance, patience, integrity and intelligent financial and risk management, the private sector can play a substantial role in cleaning up the pollution of this country's industrial past.

I also sit before you today as a testament to the fact that this problem is too big for any one organization, government or market sector to take on single-handedly.

It is only through public-private partnerships involving the private sector, non-profits, and federal, state and local governments that we will have a chance at solving this problem in our lifetimes.

Congress has enacted a number of critical provisions to encourage revitalization of America's brownfield sites. These include Section 198 enacted in 1997, the 2002 brownfield law, and the new unrelated business income tax waivers enacted in 2004.

Cherokee Investment Partners strongly endorses Chairman Turner's efforts to add to this lineage. The transferable tax credit provisions in Chairman Turner's legislation will dramatically accelerate the rate and geographic scope of brownfield revitalization in America.

Nearly every member of Congress has the misfortune of brownfields within their own districts. I know many of you sitting before me do, as well. Working together, government and the private sector can address the environmental contamination at these sites and can build healthy communities, with healthy tax and job bases and strong economies.

Working together, government and the private sector can solve America's brownfield problem.

Cherokee Investment Partners looks forward to working with Chairman Turner and the members of this Subcommittee to continue to explore new ways to accelerate brownfield cleanups. Please do not hesitate to look to us as a resource both for these legislative endeavors and for assistance with specific sites that you are aware of that are in need of targeted assistance.

Mr. Chairman, members of the Subcommittee, it has been an honor and a privilege to testify here today. I am happy to answer any questions that you may have.

Contact Information:

For more information regarding this testimony, or if there is a site or community area in need of our help or attention, please use the following contact information:

Jonathan Philips
Cherokee Investment Partners
702 Oberlin Road, Suite 150
Raleigh, NC 27605
(919) 743-2500
jphilips@cherokeefund.com
www.cherokeefund.com

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BIOGRAPHY OF JONATHAN PHILIPS

Jonathan Philips is a Senior Director of Cherokee Investment Partners, LLC. He specializes in investment, strategic and structuring activities. Through his work identifying, analyzing and executing transactions, Mr. Philips has forged partnerships with communities, organizations, agencies and officials. In addition to his deal and strategic work, Mr. Philips helped architect the federal 2005 Brownfield Revitalization Act that was enacted by Congress and signed by the President in October 2004. Mr. Philips also created the *US Conference of Mayors—Cherokee Investment Partners Community Revitalization Initiative*, a first-of-its-kind national public-private partnership to fast-track the cleanup and revitalization of property in cities and towns across America. Prior to joining Cherokee, he served as a senior executive officer and General Counsel of a closely held company headquartered in New York City where he identified, structured and closed private equity investment and strategic relationships. Previously, Mr. Philips practiced as a corporate attorney with Davis Polk & Wardwell in the Merger and Acquisitions and Capital Markets groups, where he represented private equity, banking and corporate clients in over 25 public and private transactions, comprising over a billion dollars of closing value. Before Davis Polk, Mr. Philips founded and led a Manhattan-based consulting company and, previously, worked as a strategic management consultant. Mr. Philips has served as an advisor to corporate and nonprofit entities and is actively involved with several nonprofits throughout the country. He received his law degree from the Yale Law School, where he was an Olin Fellow in Law and Economics, and his Bachelors degree from the University of Virginia, where he was an Echols Scholar with double Highest Distinction. He and his wife, Eva, are parents of three children.

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